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March 7, 2002

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station – 2nd Flr.
Boston, MA 02110

Re: Boston Edison Company
D.T.E. 01-108

Dear Secretary Cottrell:

Enclosed please find Boston Edison Company's Reply Brief for filing in the above referenced proceeding.

Thank you for your attention to this matter.

Very truly yours,

William S. Stowe

Enclosure

cc: William Stevens, Hearing Officer (8 copies)
Paul Afonso, Esq.
Sean Hanley
Claude Francisco
Owen Cahillane
George Dean, Esq.
Joseph Rogers, Esq.
Alexander Cochis, Esq.
Trudy Reilly, Esq.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Boston Edison Company	)	DTE 01-108

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Boston Edison Company Reply Brief to all parties in this proceeding.

Dated this 7th day of March, 2002.

William S. Stowe

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Boston Edison Company	)	D.T.E. 01-108

REPLY BRIEF OF BOSTON EDISON COMPANY

William S. Stowe
Assistant General Counsel
NSTAR Electric & Gas Corporation
800 Boylston Street
Boston, MA 02199

Dated: March 7, 2002

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Boston Edison Company	)	D.T.E. 01-108

REPLY BRIEF OF BOSTON EDISON COMPANY

Boston Edison Company ("Boston Edison" or the "Company") hereby responds to the Initial Brief filed by the Massachusetts Water Resources Authority ("MWRA"). Fundamentally it appears that the MWRA seeks to maintain its current position as the sole customer in the only rate class that doesn't pay the full Transition Charge paid by all other rate classes. The Company will briefly review the three primary arguments put forth by the MWRA to preserve this unique status; however, the Company believes that the majority of the points raised by the MWRA have already been fully addressed in the Company's Initial Brief.[1]

As the Company reads the MWRA's Initial Brief it appears that there are three primary arguments that are advanced. One is that the proposed M.D.T.E. No. 974 violates the underlying cost basis of Rate WR. MWRA Initial Brief, at 12-15. Two is the assertion that there is no requirement for a uniform Transition Charge. Id., at 15-17. Three is the argument that the Department's decision in Boston Edison Company, D.T.E. 99-107 (Phase II) (2000), has already, in effect, decided that the Company could not in

[1] Silence in regard to any particular argument, assertion of fact, or position in the MWRA's Initial Brief should not be construed as acquiescence with that argument, assertion or position.

the future file a new Rate WR when the MWRA leaves Standard Offer Service.[2] Id., at 17-18. None of these arguments has merit.

The MWRA's first two points are closely related and spring from the same faulty premise. The Transition Charge, as it has been implemented through the Restructuring Settlement Agreement for Boston Edison and through consistent Department precedent for all other distribution companies, does not seek to track the responsibility for historic generation costs of each customer or rate class. The Transition Charge is paid by all distribution customers, including those who were not even born when certain historic generation decisions were made. It is paid on a uniform level by all rate classes, including classes such as Streetlighting with vastly different load shapes and coincident peaks. The Rate WR rate class pays cost-based rates for those rate elements that are based on costs (e.g., distribution costs). The fact that the Rate WR rate class used to pay generation costs based upon its unique load characteristics,[3] should benefit the Rate WR rate class no more than it benefits any other tariffed rate class which now pays the uniform Transition Charge. Indeed, the MWRA has agreed in the Electric Power Supply Agreement to pay "all new charges generally applicable to all tariffs" (Exh. D.T.E. 1-1, Article 4 of attached Electric Power Supply Agreement), and the Transition Charge is precisely such a charge. Not only should the MWRA be obligated to pay the "generally applicable" charge; the amount of the charge should be determined on the same basis for its rate class as for all others.

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2 The MWRA evidently seeks to extend this even beyond the Standard Offer period, claiming the right to reduced Transition Charges for as long as they may be applicable. See Exh. MWRA-LS, p. 11.

3 In fact, it still does, judging from its current competitive supply contract. See Exh. BE-1-1. The MWRA's interesting exercise to derive the generation cost embedded in the historic Rate WR cost of service (MWRA Initial Brief, at 14, n. 6) misses the point, in the absence of some ruling that Rate WR, alone, is entitled to a Transition Charge determined in that manner.

The MWRA now quibbles with whether the uniform Transition Charge methodology under the Restructuring Settlement Agreement should apply to it (MWRA Initial Brief, at 15), having previously expressed no concern over acceptance of restructuring-related rate reductions and insisting upon receipt of mitigation benefits that kept Rate WR at the same percentage rate reduction as all other rate classes. See RR-DTE-3, Stipulation, paragraph 3. The MWRA further undertakes to distinguish itself from Department precedent in the Fitchburg decision,[4] seeking to manufacture some logic as to why the "Energy Bank Service" or special contract customers, which were assertedly the only rates at issue there, should pay a full Transition Charge, but the MWRA need not. See MWRA Initial Brief, at 16. In fact, there is no such logic and the Department's ruling is clear and applies to all rate classes, and not just one particular rate or special contract:

> The Department finds that a uniform access charge for all rates is the proper way to design rates and is consistent with other companies' rates. Uniformity among all classes ensures fairness and avoids discrimination.

D.T.E. 97-115/98-120, at 40. (citation omitted).

There is, of course, one provision, which in one circumstance, has the effect the MWRA desires. That is the explicit provision in the Electric Restructuring Act, G.L. c. 164, § 1B(b), that specifically names the MWRA by name and guarantees an explicit overall discount so long as the MWRA remains a recipient of Standard Offer Service. That mandate could be met, as the Department found in Boston Edison Company, D.P.U./D.T.E. 96-23, at 37-38 (1998), only through a bundled rate design with a less-

[4] Fitchburg Gas and Electric Light Company, D.T.E. 97-115/98-120, at 39-40 (1999).

than-full Transition Charge recovery embedded therein. The MWRA chose to leave that status, and the basis for separate treatment of the MWRA has therefore ceased.[5]

The MWRA's final argument is that the Department has, in essence, already decided the entire matter as a result of its decision in Boston Edison Company, D.T.E. 99-107 (Phase II) (2000). As is evident from reading the entire decision, not to mention the portions of the record referenced therein, that decision dealt with approving a Settlement Agreement ("D.T.E. 99-107 Settlement"), which, as it pertained to the MWRA, had the effect of resolving the manner of reconciling MWRA Transition Charge revenues for 1998 and which specifically references the Company's intention to file a revised method in the next reconciliation filing. Id., at 9; D.T.E. 99-107 Settlement, Sections 2.4-2.6. The Department's language cited by the MWRA is, at best, dicta, and is not binding beyond the particular context of that Rate WR, and the D.T.E. 99-107 Settlement and the time period for which it applied. In addition the MWRA's reading would be contrary to the explicit caveats which the Department itself expressed regarding the Company's right to "propose the revised method in its next reconciliation filing" and the concluding statement that "[t]he Department makes no findings regarding the appropriateness of the Company's approach to the determination of either the transition or distribution charges for MWRA." D.T.E. 99-107 (Phase II), at 10.[6]

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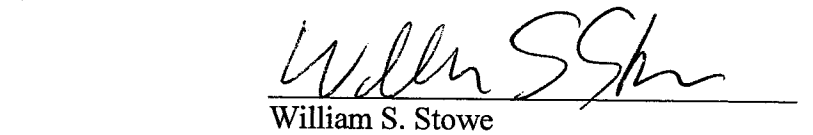
5 It bears emphasis here that, having entered into a purchase agreement with a competitive supplier, the MWRA will experience significant overall savings from its former rates, even if the MRWA pays the full Transition Charge as proposed by the Company. See Exh. BEC-11.

6 Not to extend the debate unnecessarily over a completely peripheral issue that has been injected by the MWRA, however the Company does feel compelled to respond briefly to the MWRA's rather garbled charges in a footnote (see MWRA Initial Brief, p. 11, n. 3.) concerning a purported "false assertion" regarding the separate agreement between MWRA, Boston Edison and Harbor Electric Energy Company ("HEEC") for the submarine cable to Deer Island. Apart from the relevance of this issue to M.D.T.E. No. 974 (which is zero), the underlying difference goes to two points: who is being paid and what is the return on equity to the entity that is not being paid. Simply stated, unlike the MWRA's witness (see Tr. 144-146), Boston Edison thinks there is an important

In summary, Boston Edison submits that the reasons put forward by the MWRA as to why Rate WR should pay a lower Transition Charge than all of the Company's other tariffed rate classes are unavailing, and M.D.T.E. No. 974 should be approved.

Respectfully submitted,

BOSTON EDISON COMPANY
by its attorney



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Dated: March 7, 2002

distinction between Boston Edison and HEEC, as did the Department when it issued its orders in D.P.U. 89-220 and D.P.U. 90-288, and as did other entities which entered into project financing arrangements with HEEC, to give the MWRA the lowest possible financing costs for the cable, which would have been impossible if the project were constructed and financed through Boston Edison. See D.P.U. 90-288, at 10-11.